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January 2014

Performance Audit  
Recommendations and Corrective  
Actions for Audit: 10-2

Internal Control Weaknesses  
Expose the State to Improper  
Payments

Dated: 06/04/2010

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# Overview

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The SAO makes recommendations designed to improve the operations of state government. For our work to produce benefits, auditees or the General Assembly must implement these recommendations although we cannot require them to do so. Nevertheless, a measure of the quality and persuasiveness of our performance audits is the extent to which these recommendations are accepted and acted upon. The greater the number of recommendations that are implemented, the more benefit will be derived from our audit work.

In 2010, the SAO began to follow-up on the recommendations issued in our performance audits. Experience has shown that it takes time for some recommendations to be implemented. For this reason, we perform our follow-up activities two and four years after the calendar year in which the audit report is issued (e.g., we followed up on recommendations contained in audit reports issued in calendar year 2008 in 2010 and 2012). Our annual performance reports summarize whether we are meeting our recommendation implementation targets.

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Act 155 (2012) required that we post on our website “a summary of significant recommendations arising out of the...audit reports... and the dates on which corrective actions were taken related to these recommendations. Recommendation follow-up shall be conducted at least biennially and for at least four years from the date of the audit report.”

This report addresses the requirements of Act 155 to post the results of our recommendation follow-up work on our website. The report does not include follow-up on recommendations issued as part of the state’s financial statement audit and the federally mandated Single Audit, which are performed by a contractor. However, our new contract for this work requires the contractor to provide the results of its recommendation follow-up in the future. Accordingly, we expect that future reports will contain this data.

Audit No., Name & Date	Rec #	Recommendation	Follow-Up Date	Status & Date	Review Comments
<a href="#">10-2 Internal Control Weaknesses Expose the State to Improper Payments.</a> 06/04/2010	1	The Department of Finance and Management (F&M) should strengthen the process to ensure compliance with F&M guidance, internal control standards, and best practices. Consider (1) establishing A/P user manual, (2) creating A/P user group, (3) providing additional training, and (4) increasing monitoring and enforcement of applicable guidance.	12/31/2012	Not Implemented	The recommendation was primarily about ensuring compliance. No evidence was provided of steps taken to ensure or improve compliance.
	2	The Department of Finance and Management (F&M) should modify the current VISION user access control practice to restrict the same individual from both entering and approving vouchers.	12/31/2012	Not Implemented	Finance & Management reported that this recommendation has not been implemented.
	3	The Department of Finance and Management (F&M) should develop and implement standard policies and procedures for approving, maintaining, and monitoring vendors.	12/31/2012	Not Implemented	No policy/procedure has been implemented. Department of Finance & Management reports that vendors not used for two years are now inactivated in an annual process, but we have received no process documentation, and this is a small part of an overall vendor maintenance process.
	4	The Department of Finance and Management (F&M) should develop measures to prevent users from unauthorized circumvention of VISION duplicate voucher checking controls.	12/31/2012	Not Implemented	No specific measure mentioned and no evidence offered.
	5	The Department of Finance and Management (F&M) should consider alternative methods for identifying prior year invoices at the end of the fiscal year other than using "PY" in the invoice number field.	12/31/2012	Not Implemented	Finance & Management reported that this recommendation has not been implemented.

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<a href="#">10-2 Internal Control Weaknesses Expose the State to Improper Payments.</a> <a href="#">06/04/2010</a>	6	The Department of Finance and Management (F&M) should review the feasibility of utilizing the audit trail function in VISION to assist with voucher monitoring.	12/31/2012	Not Implemented	Finance & Management reported that this recommendation has not been implemented.
	7	The Agency of Transportation (AOT) should review the design of duplicate voucher checking internal controls in its feeder system and consider (1) the criteria used to flag potential duplicates, (2) when vouchers should be flagged as potential duplicates and (3) the level of review needed to address flagged transactions.	12/31/2012	Partially Implemented (No Date Given)	No change to the criteria used to flag potential duplicate invoices. Level of review was defined in Procedure: Duplicate Payment Review.
	8	The Agency of Transportation (AOT) should develop a process to review utility transactions to identify potential duplicate payments.	12/31/2012	Implemented 7/08/2010	Described in Procedure: Duplicate Payment Review.
	9	The Department of Labor (DOL) should implement procedures to ensure that correct vendor ID's are entered during voucher processing in the DOL feeder system and consider modifying the entry screen to allow the vendor name to be viewed during data entry.	12/31/2012	Implemented 8/27/2012	Implemented exactly per recommendation.